



Committee On Finance

Max Baucus, Chairman

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STATEMENT BY SENATOR MAX BAUCUS CHAIRMAN, SENATE COMMITTEE ON FINANCE RESPONSE TO ADMINISTRATION'S PROPOSAL TO PRIVATIZE SOCIAL SECURITY

President Bush has proposed to partially privatize Social Security by allowing workers to voluntarily divert part of their payroll taxes into private accounts and out of the Social Security Trust Fund. However, a new study released today by the Center on Budget and Policy Priorities and the Century Foundation provides further evidence that there is no security to be found by privatizing Social Security. In fact, it will be impossible to enact partial privatization of Social Security without deeply cutting the income of Social Security beneficiaries.

Ironically, the largest cuts would fall on those who choose not to participate in the private accounts program. For example, a worker retiring at age 65 in 2075 who chooses to forego "privatization" would still have his Social Security benefit cut involuntarily by about 46%. But if the individual does choose to contribute to a private account, his retirement income - including income from his private account - would still be about 20% lower than his income under current law. And his income would be even lower if the stock market does not rise as much as it has in the past.

This new study also shows that cuts for the disabled would be even greater. Benefits would be cut by 47.5% for a person who becomes disabled in 2075. Under the Commission's proposals, the disabled person could not use any of the income from a private account to offset this benefit cut until he or she reaches the age of retirement. Cuts of these magnitudes are completely unacceptable. They demonstrate why partial privatization of Social Security is dangerous policy for Social Security reform.

END

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For Executive Summary of today's study

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